

TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS	4
1. Annexable Property	4
2. Articles	4
3. Assessments	4
4. Best Management Practices	6
5. Board	7
6. ByLaws	7
7. City	8
8. Close of Escrow	8
9. Common Area	8
10. Common Expenses	8
11. Community	10
12. Community Entry Facilities	10
13. Condominium	10
14. Condominium Project	11
15. Conservation Easement Deeds	11
16. Conservation/Long Term Habitat Maintenance Areas	11
17. Cost Sharing Agreement	12
18. County	12
19. Custom Lot	12
20. Custom Lot Declaration	13
21. Declarant	13
22. Declaration of Annexation	13
23. Design Guidelines	13
24. Design Review Committee	14
25. DRE	14
26. Dwelling	14
27. Eligible Mortgage Holder	14
28. Environmental Documents	14
29. FHLMC	15
30. FNMA	15
31. Fuel Modification Zones	15
32. Fuel Modification Zones Maintenance Guidelines	17
33. GNMA	17
34. Golf Course Declaration	17
35. Golf Course Property	18
36. Golf Course Property Owner	18
37. Improvements	18
38. Invasive Exotic Plants	19
39. Invasive Plant Areas	19
40. Landscape Easement Area	20

41.	Lot	20
42.	Maintenance Areas	21
43.	Maintenance Guidelines	22
44.	Master Association	22
45.	Master Association Documents	22
46.	Master Association Property	22
47.	Master Association Walls	23
48.	Master Declaration	24
49.	Member	24
50.	Merchant Builder	24
51.	Mortgage	24
52.	Mortgagee	25
53.	Mortgagor	25
54.	Notice and Hearing	25
55.	Notice of Annexation	25
56.	Owner	25
57.	Phase	26
58.	Planned Development	26
59.	Production Lot	26
60.	Property	26
61.	Public Agencies	26
62.	Re-Subdivided Lot	27
63.	Rules and Regulations	27
64.	Special Benefit Area	27
65.	Special Benefit Expenses	28
66.	Special Benefit Improvements	29
67.	Sub-Association	29
68.	Sub-Association Documents	29
69.	Sub-Association Walls	30
70.	Supplemental Declaration	30
71.	Supplementary Custom Lot Declaration	31
72.	Use Agreement	31
73.	Water Quality Management Plans	31
74.	Application of Definitions	31

ARTICLE II INTRODUCTION TO SHADY CANYON 31

1.	General Plan of Development	31
2.	Development Control	34
3.	Non-Liability	36
4.	Control of Vehicular Access into the Community	37
5.	Fuel Modification Zones; Fire Hazards and Release and Waiver of Claims	40
6.	Post Tension Slabs	40
7.	Use of Reclaimed Water and Water Softeners	41
8.	Signal Peak Microwave Towers	42

9.	Plants and Wildlife	43
10.	Public Access	43
11.	No Guarantee of Views	44
12.	Proximity to the Golf Course Property	45
13.	No Rights to Use the Golf Course Property	46
14.	Liquor Sales	46

**ARTICLE III PROPERTY RIGHTS REGARDING THE MASTER ASSOCIATION
PROPERTY AND RESERVATIONS OF EASEMENTS 46**

1.	Owners' Easements	46
2.	Limitations on Owners' Easement Rights	47
3.	Delegation of Master Association Property Use Rights	53
4.	Waiver of Use	54
5.	Easements for Vehicular and Pedestrian Traffic	54
6.	Easements for Unintentional Encroachments	54
7.	Easements for Utilities	55
8.	Easements for Maintenance by the Master Association	57
9.	Easements for Maintenance by Sub-Associations	58
10.	Easements for the Golf Course Property	58
11.	Easements for Clustered Mailboxes	59
12.	Easements for Drainage	59
13.	Easements for Community Cable Television, Alarm System Cabling and Communication Facilities	60
14.	Reservation of Construction Rights	61
15.	Reservation of Easements Over Master Association Property	61
16.	Transfer of Master Association Property to Master Association	62

ARTICLE IV THE MASTER ASSOCIATION 64

1.	Membership	64
2.	Classes of Membership	65
3.	Assignment of Merchant Builder Voting Rights	67
4.	Special Voting Procedures for Election of Directors	67
5.	Record Dates	67
6.	Vesting of Voting Rights	68
7.	Adjustment of Voting Rights	68
8.	Suspension of Voting Rights	68
9.	Transfer	68
10.	Proxies	69

ARTICLE V POWERS AND DUTIES OF THE MASTER ASSOCIATION : 69

1.	Management Body	69
2.	Powers	70
3.	Duties	73
4.	Financial Statements for Special Benefit Areas . .	83
5.	Repair of Damage to the Master Association Property	84
6.	Limitations on Contracts	84
7.	Delegation of Duties	84
8.	Right of Entry for Emergency	84
9.	Right of Entry for Repairs	85
10.	Limitations on Board Action	85
11.	Licenses, Easements and Rights of Way	87
12.	New Improvements	87
13.	Master Association Rules and Regulations	88
14.	Resolution of Disputes	89

ARTICLE VI ASSESSMENTS 94

1.	Creation of the Lien and Personal Obligation of Assessment	94
2.	Purpose of Regular Assessments: Levy and Collection	95
3.	Regular Assessments - Basis	95
4.	Assessment Exemptions	96
5.	Limitations on Increases and Decreases in Regular Assessments	97
6.	Special Assessments	99
7.	Special Benefit Assessments	100
8.	Compliance Assessments	101
9.	Damage Reimbursement Assessment	101
10.	Notice of Increase in Assessments	102
11.	Date of Commencement of Regular Assessments: Due Dates	102
12.	Collection of Assessments	103
13.	Certification of Payment	103
14.	Delivery by Owner	103
15.	Reserves	103
16.	Offsets and Waiver Prohibited	104
17.	Exempt Property	104

ARTICLE VII NON-PAYMENT OF ASSESSMENTS:
REMEDIES OF THE MASTER ASSOCIATION 104

1.	Non-Payment of Assessments: Remedies of the Master Association	104
2.	Notice of Delinquent Assessments	105

3.	Foreclosure Sale	106
4.	Curing of Default	106
5.	Cumulative Remedies	106
6.	Mortgagee Protection	107

ARTICLE VIII USE RESTRICTIONS 107

1.	Private Single Family Dwelling	107
2.	Use of Master Association Property	107
3.	Conduct Affecting the Master Association	108
4.	Owner's Liability for Damage	108
5.	Signs	108
6.	Maintenance of Animals Within the Community	109
7.	Quiet Enjoyment	111
8.	Improvements	111
9.	Windows	112
10.	Commercial Activity	112
11.	Parking	113
12.	Vehicle Usage in the Master Association Property	115
13.	Unrestricted Parking	115
14.	Compliance With Master Association Documents	115
15.	Solar Heating Systems	116
16.	Antennas	116
17.	Hazardous Materials	117
18.	Leasing	117
19.	Drilling	117
20.	Trash	118
21.	Water Softeners	118
22.	Sub-Association Use Restrictions	118
23.	Duty to Install Landscaping	119
24.	Duty to Construct a Dwelling on a Custom Lot	119
25.	Restrictions Concerning Conservation/Long Term Habitat Maintenance Areas	122
26.	Compliance with the Environmental Documents	122
27.	Compliance with the Best Management Practices	123

ARTICLE IX DESIGN REVIEW 123

1.	Exemptions From Design Review	123
2.	Design Review	123
3.	Design Review Committee	124
4.	Meetings of the Design Review Committee and Delegation of Rights and Responsibilities	125
5.	Design Guidelines	126
6.	Review of Plans and Specifications	127

7.	Procedures and Timeframes for Decisions by the Design Review Committee	130
8.	Submittal to City - Right of Design Review Committee to Review	131
9.	Approval of City	131
10.	Conflicts Between the City and Design Review Committee	131
11.	No Waiver of Future Approvals	132
12.	Compensation of Members	132
13.	Variances	132
14.	Inspection and Approval of Improvements	133
15.	Non-Liability of Design Review Committee Members	133
16.	Appeal	134
17.	Design Review of Custom Lots	134
18.	Design Review of Improvements to Lots or Condominiums Subject to a Sub-Association	135
19.	Prohibited Improvements and Activities	135
20.	Governmental Regulations	143
21.	Rights of the Disabled	143

ARTICLE X REPAIR AND MAINTENANCE 144

1.	Repair and Maintenance by the Master Association	144
2.	Repair and Maintenance by a Sub-Association	146
3.	Repair and Maintenance by Owners	146
4.	Maintenance Standards	148
5.	Preservation of Proper Drainage	150
6.	Annual Inspection by the Master Association	150
7.	Compliance	152
8.	Damage and Destruction Affecting a Lot or Condominium - Duty to Rebuild	152
9.	Party Walls	152
10.	Reservation of Access Easement for Inspection and Repairs	154
11.	Golf Course Property Owner's Maintenance Rights	154

ARTICLE XI DAMAGE OR DESTRUCTION OF IMPROVEMENTS MAINTAINED BY THE MASTER ASSOCIATION 155

1.	Restoration of Damaged Master Association Property and/or Maintenance Areas	155
2.	Election Not to Restore Damaged Master Association Property and/or Maintenance Areas	157
3.	Election Not to Restore Special Benefit Improvements	157

4.	Retention of Excess Insurance Proceeds in General Fund	157
5.	Notice to Owners and Mortgagees	158
6.	Damage by Owners or a Sub-Association	158
7.	Use of Special Assessments	158
8.	Damage or Destruction of the Community Entry Facilities	158
 ARTICLE XII CONDEMNATION		158
1.	Distribution of Awards	158
2.	Distribution of Awards - Master Association Property	159
3.	Board of Directors as Attorney-in-Fact	159
 ARTICLE XIII COVENANT AGAINST PARTITION		159
1.	Covenant Against Partition.	159
2.	Covenant Against Partition of a Condominium Project	160
 ARTICLE XIV INSURANCE		160
1.	Required Insurance Coverage	160
2.	Optional Insurance Coverage.	163
3.	Notice of Cancellation of Insurance.	163
4.	Annual Review of Coverage.	164
5.	Waiver by Owners.	164
6.	Premiums, Proceeds and Settlement.	164
7.	Rights and Duties of Owners to Insure.	165
8.	Trustee for Policies.	166
9.	Mortgage Clause.	166
10.	Compliance With Requirements of FHLMC and FNMA.	166
 ARTICLE XV MORTGAGEE PROTECTION		166
1.	Mortgage Protection Provisions.	166
2.	Violation of Mortgagee Protection Provisions.	174
3.	Effect of Amendments.	175
4.	Amendments to Conform With Mortgagee Requirements	175

ARTICLE XVI	ANNEXATION OF ADDITIONAL PROPERTY	175
1.	Annexation Pursuant to Approval.	176
2.	Annexation Pursuant to General Plan.	176
3.	Notice of Annexation.	176
4.	Parties to Notice of Annexation.	177
5.	Effective Date of Annexation.	178
6.	Amendments to a Notice of Annexation.	178
7.	Right of De-Annexation.	179
ARTICLE XVII	ENFORCEMENT OF BONDED OBLIGATIONS	179
1.	Enforcement of Bonded Obligations	179
ARTICLE XVIII	GENERAL PROVISIONS	180
1.	General Rights of Enforcement	180
2.	Enforcement by the City	182
3.	Enforcement by the Public Agencies	183
4.	Owner's Indemnification Obligation After the Close of Escrow	183
5.	Severability.	184
6.	Non-Impairment of Mortgagees	184
7.	Term	184
8.	Construction.	185
9.	Singular Includes Plural.	185
10.	Amendments	185
11.	Notices.	189
12.	Attorneys' Fees.	189
13.	Conflicts in Master Association Documents.	189
14.	Exhibits	190
15.	Additional Provisions	190

EXHIBITS

EXHIBIT A	Legal Description of the Property
EXHIBIT B	Legal Description of the Annexable Property
EXHIBIT C	Fuel Modification Zones Maintenance Guidelines

- EXHIBIT D Depiction of the Conservation/Long Term Habitat Maintenance Areas in the Initial Phases of the Community
- EXHIBIT FMZ Depiction of the Fuel Modification Zones in this First Phase of the Community
- EXHIBIT IPA Depiction of the Invasive Plant Areas in the Initial Phases of the Community
- EXHIBIT LEA Depiction of the Landscape Easement Areas in this First Phase of the Community
- EXHIBIT MA Depiction of the Maintenance Areas in this First Phase of the Community
- EXHIBIT MAP Legal Description and/or Depiction of the Master Association Property in this First Phase of the Community
- EXHIBIT MAW Depiction of the Master Association Walls in this First Phase of the Community
- EXHIBIT PP Depiction of the Parking Plan (Fire Lanes and Other No Parking Areas) in this First Phase of the Community